Agri Investor

Agri Awards

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Meet the winners

Spotlighting the industry's standout firms

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Editor's letter

Agri awards come back stronger

Binyamin Ali
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Now in their second year, *Agri Investor*'s Global Awards have already grown to become a bigger, better and more fiercely contested contest.

The natural capital world's growing importance as a climate mitigation tool means new blue-chip players are muscling their way into the industry and competing for deals and awards.

One of the most eye-catching firms to demonstrate this is TPG Rise, the impact investing arm of TPG. The firm started 2022 by creating Anew Climate – a merger between carbon project developer Bluesource and renewable natural gas company Element Markets. TPG Rise and its subsidiaries subsequently took home three awards for their decisive deal execution, having not featured at all in our inaugural 2021 awards.

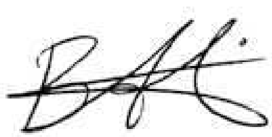
> **"New blue-chip players are muscling their way into the industry"**

And with regard to a bigger and better awards competition, we have expanded the number of awards categories from 31 to 40 in recognition of the variety of GPs doing excellent work across the industry.

New additions include Agtech Fund Manager of the Year to give the specialist venture capital GPs a space of their own in which to shine. In a similar vein, we added Farmland, Timberland and Agribusiness Fund Manager of the Year awards, in the global and regional categories, to give better recognition to GPs specializing exclusively in one part of the natural asset world.

Last and by no means least, the growing climate mitigation work being done across the industry is now more wholly reflected in our awards through the addition of Impact Investor and Impact Fund Manager of the Year awards, as well as an award for the Natural Capital Fund Manager of the Year.

We hope you enjoy discovering the winners of all 40 awards.



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Agri Investor

Agri Awards 2022

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Most read stories Investors turn to agri to find new solutions and combat climate woes

Agri has become an increasing priority for investors over the last 12 months, with more capital committed to the sector. Last year marked a significant fundraising period for agri, in particular agtech, as highlighted by the second-most read story. In Q1 2022, total agtech fundraising hit $3.3 billion, up from $2.6 billion in Q4 2021.

Senior analyst for emerging technology Alex Frederick said that, given the impact of macro events such as Russia's invasion of Ukraine and high inflation, agtech's attractiveness to investors makes sense.

Meanwhile, natural capital continues to be a key area of interest, as seen in the fifth and seventh-most read stories. In September, QIC said it was looking to launch its first ever natural capital fund, with the aim of investing in timberland and other agricultural assets. And KKR Global Impact director George Aitken emphasized the importance of nature-based solutions to not only tackle climate change but to help PE investors to "outperform."

The Russia-Ukraine war also impacted the agri investing landscape. Our 10th most-read story detailed how PGGM reported intentions to withdraw from NCH Capital's Russia and Ukraine-based agri ventures. Spokesperson for PGGM Maurice Wilbrink told *Agri Investor*: "As with all Russia-related assets, it is our intention to divest as quickly as possible. It is obvious that this is a difficult asset class to implement at speed." ■

1 Goldman takes majority stake in new 3,000-acre tree fruit company
October

Goldman Sachs Asset Management made a strategic investment in New Columbia Fruit Packers as part of a merger initiated and supported by NewAg Partners.

2 Agtech continues to deliver big fundraising and exit values
June

Fundraising for agtech in Q1 2022 rose to $3.3 billion from $2.6 billion in the previous quarter, as the sector built on a record year in 2021.

3 Duxton launches A$100m Diversified Agriculture Fund
August

Duxton Capital (Australia) launched fundraising for its open-end Diversified Agriculture Fund, the firm's first unlisted diversified investment vehicle.

4 China gets serious about cell-cultured meat
February

Evolving food production systems "are being combined with an entirely new model of production we call food-as-software," said RethinkX co-founder Tony Seba.

5 QIC set to launch A$500m natural capital fund
September

QIC said it was exploring the launch of its first natural capital fund, Queensland Natural Capital Fund, which will be structured as a 15-year closed-end vehicle.

6 Agriculture Capital targets $500m for citrus-focused third fund
June

Agriculture Capital's third fund targets low to mid-teens net IRR through a strategy focused on cash-yielding fresh citrus fruit assets.

7 KKR: Nature-based solutions offer chance for PE to 'outperform'
October

KKR Global Impact director George Aitken said nature-based solutions are the 'perfect assets' for investors seeking arbitrage in combination with climate impact.

8 Carbon credits are changing investment models – Manulife
November

There are signs that timberland's carbon potential is contributing to a shift toward more direct raw material sourcing strategies among US mill operators.

9 Paine Schwartz targets $1.5bn for Fund VI
June

The New York-based firm secured at least two commitments for a follow-up to the $1.45 billion Fund V, to focus on an agribusiness sector it says has outpaced others since 2006.

10 NCH Capital facing divestment due to Russia-Ukraine war
March

At least one LP reported its intention to divest from NCH Capital's Russia and Ukraine-focused agribusiness investments as quickly as possible.

Timberland Investment Group

PROUD WINNER OF:

Agri Investor AWARDS 2022

Fund Manager of the Year: Global

Agri Investor AWARDS 2022

Timberland Fund Manager of the Year: Global

Agri Investor AWARDS 2022

Fund Manager of the Year: Americas

Agri Investor AWARDS 2022

Deal of the Year: Americas for Caddo Sustainable Timberlands

KEY FACTS:

- US$ 5.6 billion in AUM[1]
- 3 million acres[2]
- Over 150 professional staff[2]

The BTG Pactual Timberland Investment Group ("TIG") is proud to accept 4 Agri Investor awards, including Fund Manager of the Year, on behalf of our team, our investors, and the many partners working with us to scale up investments that significantly enhance the climate, environmental and community benefits of working forests, while seeking to provide financial returns.

Learn more about us and our work in the U.S. and around the world at **timberlandinvestmentgroup.com**

Awards may not be representative of any one client's experience and are not indicative of the future performance of the BTG Pactual Timberland Investment Group, LLC or BTG Pactual. TIG did not pay a fee to participate in this award. However, TIG did pay a fee to Agri Investor in connection with publishing this announcement. This information does not constitute investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision. Nothing contained herein should be construed as a solicitation, offer or recommendation to acquire or dispose of any investment or to engage in any other transaction. Source: (1) TIG as of February 2023. (2) TIG as of December 2022.

Agtech The year in review


Guest comment by **Ben Belldegrun** and **Phil Erlanger**

Last year, there was an unprecedented sequence of industry dynamics in the food and agriculture sector. The war in Ukraine, coupled with legacy covid-related supply chain disruptions and labor shortages, significantly disrupted global grain production and fertilizer exports, sending agricultural commodity and input prices skyrocketing to historic peaks.

However, these challenges gave rise to opportunities for strategic investment in the tech innovations needed to build a healthier world for future generations. Additionally, global policy initiatives and sweeping commitments from corporations to address climate change, environmental degradation, global food security and improved population health, brought wider attention to sustainability in food and agriculture.

Possibly the defining event of 2022 was the spike in commodity prices resulting from the Russia-Ukraine conflict. Natural gas and grain prices soared, reinforcing the imperative of innovation to address supply chain pressures.

And growers began exploring alternatives to nitrogen-based fertilizers, which saw a 3x run-up in prices. Most commodities specialists predict the sector will continue to see elevated pricing.

Challenges and opportunities

In addition to causing price spikes and market disruptions, the war also highlighted the inefficiencies and insecurity of the global food supply chain.

There was a heightened focus on health and nutrition and the fundamental impact that food and agriculture had on our healthcare system in 2022. Recognizing that nutritional deficits burden the healthcare system and create a drag on the economy, the White House held a conference in September focusing on diet and nutrition – the first such initiative in 50 years.

> “Last year brought renewed focus on adopting sustainable crop inputs”

Diet and nutrition are increasingly recognized by the healthcare community as key causes and solutions for chronic disease. This trend towards food as medicine clears a path for new technologies to revolutionize food and nutrition.

Last year brought renewed focus on adopting sustainable crop inputs and synthetic chemical alternatives, especially biologicals. We've seen a lot of enthusiasm from growers around biostimulants, bio crop protection and biofertilizers, but also from strategic corporates, who are increasingly focused on more sustainable product portfolios as they evaluate acquisitions.

Wage inflation highlighted a broader set of issues around labor, always a pinch point in the sector, especially for more specialized crops and food processing. We're looking to address this through advances in robotics, data measurement and other methods that improve efficiency for workers.

2023 outlook

As 2023 progresses, we expect the industry to enter a period of more conservative investment valuations. The space saw tremendous exuberance in 2021, with sustainability driving ESG and aggressive commitments from institutional investors. Last year, that all corrected, starting with the public capital markets.

Agtech and food tech investing are not immune to the challenges of a market correction, so even though the sector has seen a boom, fundraising has become more difficult, and investors want better valuations and better terms for capital deployed.

The agtech sector has always been unique in aligning ESG principles with profitability; other industries are finally realizing the two do not necessarily conflict. Furthermore, the market is demanding more accountability from corporations, which have begun taking steps to ensure that their ESG efforts are measurable.

Add in a passionate younger generation keenly attuned to these issues and 2023 will likely see continued prioritization of decarbonization and the reduction of harmful emissions, increased investments in nutrition and health, and improved efficiency and productivity in agriculture on a global scale. ■

Ben Belldegrun and Phil Erlanger are the co-founders and managing partners of Aliment Capital

UK forestry **Resilience in a year of volatility**

Guest comment by **Robert Guest**

A few points:
- A weak pound makes imports relatively less attractive and increases demand for local supply
- UK forest owners are typically unleveraged, insulating the market from rises in base rates
- Russian timber (20 percent of global timber trade) is classified as conflict timber, so supply of certified timber is tight
- Governments are looking to 'build back better' to fend off recessionary pressures

Last year was mixed in terms of the value of commercial softwood. Sawlog prices came down significantly due to the impact of Storm Arwen working its way through the system and to the inventory levels of wood processors rebalancing after historic covid-19 highs.

However, the European energy crisis saw bioenergy starting to compete fiercely for small roundwood and chip wood. Many forest owners chose to leave value growing 'on the stump' in anticipation of hungry supply order books in the not-too-distant future.

With the war in Ukraine, inflation running high and exceptional economic turbulence including rocketing UK gilt yields, the basis of all UK asset valuations has recently been called into question.

Should the apparent increase in the risk-free rate translate to a higher cost of capital for UK land and forestry investment? On the demand side, there are stagnating levels of global growth and a Chinese housing crisis.

Despite this, established UK forest asset values are up 15 percent, according to the Goldcrest-Tilhill *UK Forest Market Report 2022*, and up 7.5 percent by Savills' estimates, while afforestation land values were up 50 percent in the Goldcrest-Tilhill report.

Enhanced performance

But what is driving this enhanced performance for investors while timber prices are at a relatively weak point and other markets are experiencing intense turmoil?

Timber markets are cyclical, but the forecasted global supply shortage of timber seems to have investors taking the medium-term view that the sector will experience growth. With 80 percent of UK timber being imported, supply declining due to the age structure of existing commercial forests, and our relatively wet, more temperate climate, UK forest owners are well positioned.

As well as sustainable timber supply, forests and woodlands can provide other societal natural capital services such as carbon sequestration, flood protection, biodiversity uplifts, jobs and social benefits to local communities. These attributes have become more prominent in the minds of owners/buyers, and this is reflected in valuations.

Role of carbon and biodiversity

Voluntary carbon units can be secured through afforestation projects, and the launch of the London Stock Exchange's Voluntary Carbon Market was a significant development in the UK's fight against climate change and for the forestry industry.

The UK Woodland Carbon Code is currently the preference for most UK afforestation developers, with units trading for between £14 ($16.6; €15.7) and £35 per tonne, although prices in excess of £100 per tonne are forecast as a result of the huge increase in net-zero pledges by corporates. Crucially, we are seeing tangible value ascribed to one of the other services that forests deliver, alongside timber supply.

Biodiversity uplifts and nature-positive certificates – either as co-benefits to carbon sequestration or as standalone items – are also the topic of much discussion in the industry. Could this be another diversifying income stream of material scale that incentivizes more diverse, nature-positive forest designs?

All considered, 2022 demonstrated the resilience of the UK forestry market. And the key emerging theme was investor recognition of the natural capital services that forests and woodlands can provide to society. ■

Robert Guest is managing director and co-lead of Foresight Sustainable Forestry Company

KEYNOTE INTERVIEW

Sustainable agriculture investment rises to the fore



Today, it is more important than ever to build resilience into agricultural investment strategies, say Brad Mytton, Frank Barillaro and Anthony Abraham of Roc Partners

Q How has investment in agriculture evolved to cope with worsening economic conditions?

Brad Mytton: Investment in agriculture over the past decade has shown its resilience to economic conditions, providing relatively steady and consistent returns. For example, the labor shortages over the past few years have been used as an opportunity to invest in automation and ultimately deliver greater efficiencies.

However, all this investment to date has been carried out in an environment of low interest rates and relatively cheap access to capital. Clearly, the picture has now changed, with high inflation and normalizing interest rates.

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Because of this, investors are demanding higher yields and better returns, which makes investment selection more challenging. This can't just happen automatically. Investment managers need to consider areas in which there can be some added value to drive better returns. In this respect, food producers risk being caught in the middle of inflation increasing their costs and higher interest rates limiting consumer spending power. Producers have to be cognizant of this risk and find a way to pass on these costs to avoid being squeezed.

This is where a private equity model can prove effective, as we are focusing on customer trends first and then looking at how these trends flow through to demand for food, following the supply chain from there to invest where we can add the most value. This lens allows us to identify projects where consumer demand remains more resilient.

This economic environment clearly presents challenges, but there are opportunities too. The market disruption won't last forever. Investment managers who think about how they can do better in the current environment will find that they have created a new way of outperforming in other times.

Q So this earnings squeeze hasn't really changed how you run your business?

Frank Barillaro: As Brad said, we believe these cost pressures present an opportunity. They force firms to find ways to become leaner and more efficient, and think more carefully about cost management. In many cases, these operational efficiencies become permanent, so when things return to normal and margins start to expand again, you're left in a better position than before the disruption began.

A number of our investment entities are thinking at the moment: "Where can we be more efficient? Where can we cut costs? How can we do things differently?"

Getting to the bottom of these key questions is a really good opportunity for the Australian farmer and the Australian agricultural industry as a whole to become better, leaner, faster. As a result, if we can carefully navigate the next 12 to 24 months of uncertainty, we'll come out of the other side in a really good position.

Anthony Abraham: As part of managing costs and operations more generally, we look for businesses that allow us to control as much as possible – what we call 'investments with a roof'. Businesses such as chicken farms and glasshouses are good examples. Agriculture is an industry which faces into climatic volatility. By putting a roof on things, you can expand the number of elements that you can control, which helps drive productivity. You can increase the heat if the temperature becomes too cold or cool things when the weather is too hot. You can also turn the water on at just the right time. While putting a roof on things is the ultimate form of control, there are other ways of reducing uncertainty, for example, introducing clever irrigation systems into farmland.

Q What parts of the agriculture sector are most appealing at present?

Brad Mytton: The world has changed dramatically in the past 12 to 18 months, not just in agriculture but in all sorts of other areas. That said, private equity offers a way of looking at the world that starts with the consumer and then continues wherever the consumer trend leads. We have taken this approach and adapted it for agriculture. So rather than a traditional approach – where you just grow and you sell produce – we look at where the trend is heading, and how we can best take advantage of these trends.

We tend to buy operational food and agri-production businesses that are clear market leaders with very defined barriers to entry. These are asset-backed businesses with high-quality assets that are run on an owner-operator model. This strategy has served us well for the past eight or nine years and our view hasn't changed in the current environment.

By bringing a private equity approach to operational assets, we have been able to avoid the earnings squeeze that I mentioned. We partner with exceptional management teams and then work towards setting the firm on a strong growth trajectory – this has been the key driver of our returns.

Anthony Abraham: In a world where future asset price increases aren't guaranteed, you need to buy value, and you can't buy value unless you have a really clear-headed and critical view of your investments. Once you have this in place, you need to maximize value. An important factor in this is your ability to manage operations and achieve operational efficiencies – and that's right across the sector.

FB: One of the biggest challenges with agricultural investment is the weather. If you reduce exposure to these elements, you can go a long way to eliminating risk. Obviously, you will never get rid of risk entirely, but you can minimize it to quite a significant degree. For the things that we are in control of, we make sure we are doing the absolute best job that we possibly can to manage them effectively. For the things that we can't control, such as weather, we do the most to invest into businesses or systems that help mitigate our risk exposure.

BM: This also plays to our strengths. We are not here to compete with the family farmer. We are here to provide capital for large corporate-scale food production assets. The idea is to focus on more capital-intensive assets, such as intensive horticulture or grass-fed beef, that can afford to pay for the best management teams in the country to really drive returns.

In summary, our approach is all about providing a bit more resilience on the downside with the potential for further upside in a good market.

Q How does ESG impact agriculture investment?

FB: ESG is ramping up. More definitive actions are coming out now, and investors are holding companies to higher standards. One of the great things about Australian agriculture is that we are custodians of very large tracts of land, water resources and food production assets in general. This provides a wonderful opportunity to make a positive impact on ESG.

Animal welfare is a good example of this, and some sectors have done a great job of improving their practices in that regard. Good governance has also been a big part of our investments. For example, stepping into a family-run business and introducing corporate standards.

Climate is another important element that feeds into our investment decision-making. Before making an investment, we will assess what the outlook for things like climate look like in 30 years' time. For example, this has led us to investing into glasshouses where we can grow produce all year round.

These investments can be quite capital intensive, so they lend themselves well to institutional investment. While some of these assets require more investment on a dollar-per-hectare basis than traditional methods, it provides us with year-round productivity and significant protection against adverse weather conditions.

There are also some areas and sectors we will avoid because the outlook on climate is not as attractive. For example, when it comes to wine production, we think that the cooler climate areas such as Tasmania will do better, while on the other hand there are certain regions that are more exposed to climate risk which we will seek to avoid. Paying close attention to environmental factors is a big part of what we do.

> *"Investment managers who think about how they can do better in the current environment will find that they have created a new way of outperforming in other times"*
>
> **BRAD MYTTON**

BM: Since the focus on ESG is only going to increase over time, it would be irresponsible to invest in anything where we could not see a clear path towards ESG best practice. While we will consider projects with areas of concern from an ESG perspective, we will only invest on the basis that we can implement a very clear plan to address these shortcomings. If we came across a project that was high risk from an ESG standpoint and where we also had zero or little ability to improve things, then this would be no-go territory.

AA: There are a couple of specific examples that we can point to here. We introduced solar panels into our chicken businesses in order to reduce our environmental footprint since this segment of the market uses a lot of energy. This has insulated us to an extent from rising energy prices.

In the chicken industry, we believe our animal welfare work is among the best in the industry. We have purchased a number of operators who have not been very good in this respect, and we have improved things. Pleasingly, this has resulted in better animal welfare standards as well as much better feed conversion ratios, resulting in better returns.

In the stone fruit business, we are using microbial fertilizers, which feed the soil with bacteria that promote growth. This is fantastic because it reduces the amount of inorganic fertilizer that we need to put into the soil and insulates us from higher input costs by providing greater productivity for less.

We see the focus on ESG to not only drive better environmental, social or governance outcomes, but also as an opportunity to create better efficiencies and higher returns.

Q You make a compelling argument for investing in Australian agriculture. So who has been investing in this space?

BM: Within North America, investors have had a strong domestic focus on agriculture for some time, providing them with solid returns over the years and a good level of understanding of the value in agriculture investing. Over time, these investors have shifted some focus to investing in Australia, recognizing the globally competitive position of the Australian agriculture market, given its relative value and attractive characteristics from an investment perspective. Investors within Australia to date have mostly comprised of institutional investors and high-net-worth individuals.

In the current economic environment, as it becomes harder to find investments that hit the mark, with interest rates normalizing and the current levels of inflation, we expect more investors globally will look to agriculture, particularly to managers that can drive value through a differentiated approach in this environment. ■

Brad Mytton is managing partner and Frank Barillaro and Anthony Abraham are partners of Roc Partners

Agri Investor

AWARDS 2022

Agribusiness Fund Manager
of the Year: Global

GLOBAL FUND MANAGER OF THE YEAR

We are honored to be named Agribusiness Fund Manager of the Year, Global, for the second consecutive year, and proudly share this recognition with our partners and investors.

At Roc Partners, we draw on our strengths, expertise, and track record in private equity and agricultural investing to invest in the food and agriculture sector.

With over 70 years of collective experience in global food and agriculture, our specialist team has developed an approach that focuses on economic and consumer trends, while seeking to deliver superior risk-adjusted returns to investors. We currently manage a portfolio over A$2.2 billion of assets in food and agriculture.

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Meet the winners

Agri Investor
AWARDS 2022

Welcome to *Agri Investor's* Global Awards. We are delighted to have the opportunity to recognize the managers, investors and innovators that excelled in their fields in 2022. Such is the extent of the fantastic work being done across the industry, we have expanded the number of awards categories from 31 last year to 40.

New additions include Agtech Fund Manager of the Year, Impact Investor of the Year and Impact Fund Manager of the Year, among others.

So, who went home with the biggest hauls from our sophomore awards? 2021's standout winner was PSP Investments, with the Canadian pension taking home five awards, including Global Institutional Investor of the Year. The pension was able to retain this title in 2022, taking home three awards in total.

BTG Pactual Timberland Investment group emerged as the firm with the most wins, clinching four awards, including Fund Manager of the Year in the Americas and Global sections. Warakirri Asset Management and the AXA group also deserve mention, each claiming three awards.

The rapidly growing influence of TPG Rise in the timberland space is also worthy of note, as the firm and deals completed by its subsidiaries took home a combined three awards and it was runner-up in a further category.

You can read about the achievements of this year's winners over the following pages.

Agri Awards 2022

Global

Personality of the Year: Marc Drouin, senior managing director, real assets and global head of natural resources investments, PSP Investments

Fund Manager of the Year: BTG Pactual Timberland Investment Group

Institutional Investor of the Year: PSP Investments

Equity Fundraising of the Year: Shore Capital Partners

Sustainable Investor of the Year: The Rockefeller Foundation

Impact Investor of the Year: AXA

Impact Fund Manager of the Year: Conservation Resources

Natural Capital Fund Manager of the Year: Climate Asset Management

Agtech Investor of the Year: Cargill

Agtech Fund Manager of the Year: Anterra Capital

Innovation of the Year: Agroforestry Partners (Propagate)

Deal of the Year: Chromy Estate (Warakirri Asset Management)

Farmland Deal of the Year: Moxee Valley Orchards (Conservation Resources)

Farmland Fund Manager of the Year: Proterra Investment Partners

Timberland Deal of the Year: Bluesource Sustainable Forests Company portfolio (Oak Hill Advisors, TPG Rise, The Forestland Group)

Timberland Fund Manager of the Year: BTG Pactual Timberland Investment Group

Agribusiness Deal of the Year: Windmill Farms (Instar Asset Management)

Agribusiness Fund Manager of the Year: Roc Partners

Americas

Fund Manager of the Year: BTG Pactual Timberland Investment Group

Institutional Investor of the Year: Washington State Investment Board

Equity Fundraising of the Year: Butterfly Equity

Deal of the Year: Caddo Sustainable Timberlands (BTG Pactual Timberland Investment Group, British Columbia Investment Management Corporation)

Farmland Deal of the Year: Moxee Valley Orchards (Conservation Resources)

Farmland Fund Manager of the Year: Nuveen Natural Capital

Timberland Deal of the Year: Bluesource Sustainable Forests Company portfolio (Oak Hill Advisors, TPG Rise, The Forestland Group)

Timberland Fund Manager of the Year: TPG Rise

Agribusiness Deal of the Year: Windmill Farms (Instar Asset Management)

Agribusiness Fund Manager of the Year: Shore Capital Partners

Europe

Fund Manager of the Year: AXA IM Alts

Institutional Investor of the Year: AXA

Equity Fundraising of the Year: Anterra Capital

Deal of the Year: International Woodland Company (BNP Paribas Asset Management)

Agribusiness Deal of the Year: Ekaterra (CVC Capital Partners)

Asia-Pacific

Fund Manager of the Year: Warakirri Asset Management

Institutional Investor of the Year: Clean Energy Finance Corporation

Equity Fundraising of the Year: Proterra Asia

Deal of the Year: Perfection Fresh (Equilibrium, PSP Investments, Temasek)

Farmland Deal of the Year: Casella Family vineyards (PSP Investments)

Farmland Fund Manager of the Year: Proterra Investment Partners

Agribusiness Deal of the Year: Chromy Estate (Warakirri Asset Management)

Awards in numbers

A round up of the stats and figures that shaped this year's Agri Investor Awards

$186m
Size of The Lightsmith Group's Climate Resilience Fund, backed by The Rockefeller Foundation

1.7m
Number of acres that comprise the portfolio acquired by Bluesource Sustainable Forests Company in November

€4.5bn
Price CVC Capital Partners paid Unilever for its global tea business Ekaterra

€500m
Capital raised for AXA IM Alts' new natural capital strategy, which launched in September

24,000ha
TIG made the first acquisition under its Latin American reforestation strategy with a 24,000 hectare asset of degraded land in Brazil

$260m
Final close held by Anterra Capital on its second food and agriculture technology fund in May

A$3bn
The amount Warakirri Asset Management has in funds under management or committed

$200m
Final close held by Proterra Asia for the third in its Food Fund series

€1bn
Size of a regenerative farming-focused impact fund launched by AXA, alongside Tikehau Capital and Unilever

7,500ha
Size of vineyards PSP Investments took ownership of from Casella Family Vineyards

437,000
Timbleland acres in Maine acquired by Conservation Resources since it was founded in 2004

A$2bn
Agricultural AUM surpassed by Roc Partners in 2022

$1bn
Final close on Butterfly Equity's second fund in August, beating its initial target of $750m

A$11.6bn
Value of PSP Investments' natural resources portfolio in 2022

KEYNOTE INTERVIEW

Building on local relationships

The main challenge in farmland investing is finding experienced managers to oversee assets, says Becs Willson, managing director at Proterra Investment Partners

The growing global population and resultant rising food demand mean that investment in new and existing productive farmland is needed now more than ever. Proterra Investment Partners believes that sustained underinvestment has hindered farmland's ability to meet increasing food needs. But today an opportunity exists to arrest this chronic shortage. Seizing this opportunity will not only support the increasing needs of a growing global populace, but will also create attractive return opportunities for investors.

Agri Investor spoke with Becs Willson, managing director at the firm, about the importance of a proper investment strategy and professional management to maximize the productivity of farmland assets – and why she believes such an approach promises both sustainability and profitability.

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Q What is the current state of the agri investor market? What are some of the key themes you are seeing?

One of the trends that we are seeing in Australia is a move towards managing agricultural farmland directly – it's an interesting one for us as a manager of these assets. What we have found over time is that hands-on management and interaction with local teams really improves returns for investors, whether it's buying locally (over the fence) or being able to interact with the community to source knowledgeable operational talent. We also have internal data that provides evidence that proactive local participation in farmland purchase creates opportunities to achieve superior returns to the long-term average growth benchmarks as published by organizations like the Rural Bank in Australia or NCREIF in the US.

Broadly, we are seeing large-scale allocators moving away from global exposures and focusing on established, developed economies – stable geographies like the US and Australia. Investors are shying away from geographies where they see high volatility in returns due to currency or weather.

Q How is farming viewed through the lens of increased sustainability?

We see sustainability as another key theme within farmland investing – one that a lot of managers are targeting. Fortunately, farming is by its very nature a sustainable activity. Through the utilization of disciplined rotations, precision farming and the use of weed-seeker technologies, Proterra has found impact on the land from food/fiber production can be positive and even improve soil composition over time as evidenced by increased yield trajectories.

We believe there are still many opportunities across farming operations to reduce carbon footprints through lowering reliance on fossil fuels and decreasing the use of fossil fuel-based fertilizers. There are some exciting developments in these areas and large-scale operators are well placed to trial new potential solutions to enable farming to become greener. Many examples of these applications can be found in Proterra's 2021 sustainability report. The good thing about farming, from the point of view of impact investors, is – if you are doing it right – it is inherently sustainable.

Q Are there any challenges holding back investment in farmland?

The main challenge for farmland investors is simply finding managers to work with that have proven track records. We observe that it's very hard for investors that are new to the sector to differentiate between fund structures that best align themselves with farm operations. For investors that haven't had much experience working with rural communities, it can be difficult to pinpoint the investments making

"The world needs to meet the demands of its growing population, and this will only be met by increasing food production substantially"

promises of returns that are unrealistic and those that can be based on their operating fundamentals.

Based on internal and external data Proterra receives, we continue to see strong fundamentals of the commodity markets globally, and farmland returns continue to be attractive relative to other sectors. The world needs to meet the demands of its growing population, and this will only be met by increasing food production substantially. We believe this should continue to underpin strong returns at the farm gate. There remains plenty of available land and plenty of appetite from investors to find good operators to manage it.

Q How do you ensure the effective performance of your agri investments?

I think the operational structure is the thing that really differentiates us. We believe in having a team with on-the-ground resources and long-term community connections. Scale can often be an issue with corporate farms. You can't manage every corner, so you need an operating structure with an aligned equity partner in the business.

At Proterra, our point of difference starts with the team, who have decades of experience in commodities, mostly through careers with Cargill Inc. This brings a unique perspective as it allows a deep understanding of commodity cycles, which drives margins, revenues and profitability in farming operations. Our background in Cargill also brings strong discipline around ethics and the way business is done. This is extremely important when dealing with small regional communities where trust is the cornerstone of business.

Q Are there any areas that you are focusing on regarding future agri investments?

Our focus is on core farming regions; not frontier farming operations. We've been able to leverage our strengths here to maximize returns. We also think there are some potential opportunities to increase the sustainability of food production while continuing to meet consumer demands. There are good opportunities presenting themselves in New Zealand too.

We believe our strategy to take advantage of these opportunities is unique. It's built from the ground up through strong relationships within the communities where we operate. In Australia, we use an equity partnership model, which means the individual who is underwriting the economics of a particular land acquisition is also responsible for the production and returns associated with that investment. They are a stakeholder in the business and therefore see that operation as their own, which brings a level of commitment and attention to detail to the operation that is hard to replicate with a salaried employee. This alignment with Proterra and our equity partners brings operations alongside the investor when decisions are being made around risk and reward.

Often, the key to a successful farmland investment, we believe, is having an experienced local partner who has deep knowledge of the targeted area. We see in our own operations that this ensures that farms are acquired at a fair value and can generate attractive returns. ■

The global award winners

Agri Investor is pleased to showcase the winners of its global awards, honoring lenders and advisers that demonstrated innovation, high levels of activity and resilience over the past 12 months

FUND MANAGER OF THE YEAR

WINNER
BTG Pactual Timberland Investment Group
RUNNER UP
Warakirri Asset Management

BTG Pactual's Timberland Investment Group built on its established position atop our regional and timberland rankings during a year that saw the firm expand its portfolio in North and South America. In February, the $5.6 billion TIMO collaborated with Canadian pension BCI for the creation of Caddo Sustainable Timberlands to expand exposure in the US Southeast from an initial portfolio of 889,000 acres stretching across East Texas and West Louisiana. TIG also made the first acquisition under its Latin American reforestation strategy with 24,000 hectares of degraded land in Brazil. Conservation International partnered with TIG on the strategy in 2021. It seeks to raise $1 billion to acquire degraded land in Latin America and reforest it with a mix of commercial timberland and natural forest restoration.

PERSONALITY OF THE YEAR

WINNER
Marc Drouin
RUNNER UP
Heechung Sung

PSP Investments had another busy 2023 when it came to investing in agriculture – and global head of natural resources investments Marc Drouin continues to be the spearhead behind the C$230 billion ($168 billion; €156 billion) fund's push into the asset class. The growth has been impressive – at the end of PSP's fiscal year in March 2018, the natural resources portfolio stood at A$4.8 billion – in 2022, that had more than doubled to A$11.6 billion. Drouin's leadership and dealmaking skills have steered the fund to become the world's leading institutional investor in agriculture, with the fund front of mind any time assets of note come to market.

INSTITUTIONAL INVESTOR OF THE YEAR

WINNER
PSP Investments
RUNNER UP
Clean Energy Finance Corporation

PSP Investments retained its crown as our Institutional Investor of the Year – just reward for another busy year of dealmaking around the world that has seen the firm continue to broaden its reach across a range of commodities and regions. As of March 31, 2022, PSP Investments' natural resources portfolio had reached A$11.6 billion ($7.7 billion; €7.2 billion), generating a five-year annualized return of 8.5 percent, per figures published by the fund. More than half the portfolio is in Oceania, with 24 percent in the US. The main focus remains agriculture, accounting for 66.1 percent of the portfolio, with timber making up 30.9 percent. It will be no surprise to see PSP in the running for this award again soon.

SUSTAINABLE INVESTOR OF THE YEAR

WINNER
The Rockefeller Foundation
RUNNER UP
Clean Energy Finance Corporation

Natural capital has long been an investment theme for New York-headquartered philanthropy The Rockefeller Foundation, and 2022 saw a continuation of this as it backed vehicles pursuing strategies in farmland sustainability, biodiversity restoration and marine life, among others. The foundation supported The Lightsmith Group's Climate Resilience Fund, which closed on $186 million at the start of the year. The vehicle is pursuing a global climate adaption strategy and was also backed by PNC Insurance Group and Caprock Impact Partners, among others. The foundation granted more than $10 million to support equity and sustainability in US public and private procurement, as part of plans to deploy $105 million to food-focused initiatives over three years.

EQUITY FUNDRAISING OF THE YEAR

WINNER
Shore Capital Partners
RUNNER UP
Butterfly Equity

Shore Capital Partners landed the coveted Global Equity Fundraising of the Year award, beating stiff competition from the likes of Craigmore Sustainables and runner up Butterfly Equity, as both GPs closed vehicles that were larger than Shore's $292 million fund. Voters were impressed by the short period of time taken for the fund to surpass its $250 million target and land at its final figure, which "was effectively a 71-day process from start of our launch to final close," partner Richard Boos told *Agri Investor*. The fund received commitments from university endowments, funds of funds and family offices to take home the highly coveted global fundraising award.

IMPACT INVESTOR OF THE YEAR

WINNER
AXA
RUNNER UP
TELUS Pollinator Fund for Good

Alongside Tikehau Capital and Unilever, AXA launched a €1 billion impact fund that will focus on regenerative farming and contributed €100 million as part of a total €300 million seed commitment from the three partners. The fund will seek to enable a wider transition to regenerative farming practices by providing equity to farms, investing in enabling technology and supporting alternative means of food production, such as indoor farming and alternative protein solutions. The group's AXA IM Alts division also launched a new natural capital strategy in 2022, which raised €500 million from existing investors. The pool of capital will target investments that can address climate change and biodiversity loss by trying to protect "vulnerable or high-value natural habitats" from deforestation, a statement said.

AGTECH INVESTOR OF THE YEAR

WINNER
Cargill
RUNNER UP
Ordway Selections

Privately held global foods business Cargill has developed a reputation as a keen backer of agtech start-ups and 2022 was no exception. The company was involved in a $250 million Series D funding round for Innovafeed, a company focused on the production of insects for animal and plant nutrition. The round was led by the Qatar Investment Authority and was also backed by Creadev, Temasek and ADM, among others. Cargill also participated in the $100 million Series B for cell-cultured meat start-up Wildtype; it backed Regrow Ag's $38 million Series B; and made a commitment to life sciences venture capital fund Seventure Partners Health for Life Capital II. Cargill also acquired a 24.5 percent stake in the salmon farming subsidiary of Chile's Multiexport Foods in a $290 million deal.

IMPACT FUND MANAGER OF THE YEAR

WINNER
Conservation Resources
RUNNER UP
ECBF Management

Conservation Resources closed numerous deals in 2022 geared toward impact investing in natural capital assets. Since its founding in 2004, the firm has acquired 437,000 timberland acres in Maine – 300,000 acres of which is permanently protected – and last year sold 35,000 acres to the Trust for Public Land. The trust will transfer the property to the newly created Katahdin Woods and Waters National Monument to improve habitat connectivity and the outdoor recreation economy. Conservation Resources also purchased a 700-acre certified organic permanent crop property in central Washington to establish 66 acres of native pollinator habitat, which will support native bees and other threatened beneficial insects.

NATURAL CAPITAL FUND MANAGER OF THE YEAR

WINNER
Climate Asset Management
RUNNER UP
Mirova

HSBC and Pollination JV Climate Asset Management raised more than $650 million in commitments from a range of LPs across its two separate natural capital and carbon strategies, both of which were anchored by HSBC. The natural capital strategy aims to deliver returns while making positive environmental contributions through regenerative management of natural assets. The vehicle participated in a joint investment in regenerative almond production in Spain that will also target biodiversity enhancement. CAM's carbon strategy targets landscape restoration in developing economies and will deliver returns exclusively through carbon credits. Earlier in 2022, the firm also delivered the first tranche of a $150 million financing package to the Restore Africa program, which aims to restore two million hectares across the continent.

AGTECH FUND MANAGER OF THE YEAR

WINNER
Anterra Capital
RUNNER UP
Trailhead Capital

Dutch fund manager Anterra Capital takes our inaugural Agtech Fund Manager of the Year award. The firm held a $260 million final close on it second food and agriculture technology fund in May 2022, taking it well beyond the original $230 million hard-cap. The fund, Anterra FA Ventures II, was launched in February 2021 and hit its $175 million target in short order. The vehicle ended oversubscribed after the hard-cap was extended – an impressive result in a challenging year for fundraising generally, without taking into account the discussions surrounding tech valuations.

DEAL OF THE YEAR

WINNER
Chromy Estate (Warakirri Asset Management)
RUNNER UP
Bluesource Sustainable Forests Company portfolio (Oak Hill Advisors, TPG Rise, The Forestland Group)

Australian fund manager Warakirri Asset Management won Global Deal of the Year for its acquisition of Chromy Estate, the home of Josef Chromy Wines in the Australian state of Tasmania. In an unusual three-way deal initiated by Warakirri, the asset manager acquired a 61-hectare vineyard, restaurant and cellar door assets on site, transitioning them into a long-term lease agreement with Endeavour Group, one of Australia's leading drinks and hospitality businesses. At the same time, Endeavour then acquired the related Josef Chromy Wines business and brands for its own Paragon Wine Estates fine wine portfolio. This complex deal was executed successfully on behalf of Warakirri's investors.

INNOVATION OF THE YEAR

WINNER
Agroforestry Partners (Propagate)
RUNNER UP
Proofminder

Agroforestry Partners is a financing platform launched by Propagate to unlock agroforestry at scale. AP enables agroforestry conversion for landowners through a lease model. The company will provide a return-focused and environmentally friendly option for investors and farmers by converting 10,000 acres of farmland to agroforestry production by year-end 2025, and sequestering 700,000 tons of CO_2. Propagate advises more than 20,000 acres of agroforestry, with 100,000 trees planted and an additional 760,000 trees and shrubs in the pipeline, the company said. It planted an additional 37,000 trees in 2022 on farms in New York, Ohio, Kentucky, Hawaii and elsewhere.

FARMLAND FUND MANAGER OF THE YEAR

WINNER
Proterra Investment Partners
RUNNER UP
Nuveen Natural Capital

Proterra Investment Partners has won the award for Farmland Fund Manager of the Year thanks to its excellence in operational performance and another successful Australian asset divestment after the sale of its Corinella portfolio. This year, the firm completed the exit of its Tasmanian assets, following years of substantial investment and development. The Vaucluse asset was unique in Tasmania for the scale of its cereal production – unusual for that region of Australia – and came with a boutique hotel on site that Proterra had revitalized. The sale continued a recent run of strong results for the firm's investors.

TIMBERLAND DEAL OF THE YEAR

WINNER
Bluesource Sustainable Forests Company portfolio (Anew Climate, Oak Hill Advisors, TPG Rise, The Forestland Group)
RUNNER UP
Vista Hermosa Inversiones Forestales (BTG Pactual Timberland Investment Group, British Columbia Investment Management Corporation, APG)

Bluesource Sustainable Forests Company is a joint venture between New York-based investment firm Oak Hill Advisors and Anew Climate, a carbon project developer backed by TPG Rise. BSFC's November acquisition of a 1.7 million-acre portfolio managed by The Forestland Group for $1.8 billion ranks among the largest conservation-focused investments ever in US forestry. BSFC also entered into definitive agreements to acquire additional TFG-managed entities holding an additional 200,000 timberland acres.

FARMLAND DEAL OF THE YEAR

WINNER
Moxee Valley Orchards (Conservation Resources)
RUNNER UP
Casella Family vineyards (PSP Investments)

Conservation Resources' August acquisition Moxee Valley Orchards – a 700-acre organic apple property in Washington State – is an important step in the firm's effort to expand into sustainable ag from the timber markets that have been its focus since its founding in 2004. In addition to plans for new acreage in organic apples and row crops, the multifaceted deal includes a climate-controlled storage facility and collaboration with Portland, Oregon-headquartered conservation non-profit the Xerces Society that aims to create 86 acres of native pollinator habitat that will benefit the farm and surrounding producers.

AGRIBUSINESS DEAL OF THE YEAR

WINNER
Windmill Farms (Instar Asset Management)
RUNNER UP
Perfection Fresh (Equilibrium, PSP Investments, Temasek)

Instar Asset Management partnered with the management team of controlled environment agriculture mushroom producer Windmill Farms (formerly Greenwood Mushroom Development) to acquire a majority stake in the business from Novacap in the summer of 2022. Instar managing partner Morty White told *Agri Investor* the deal was "the tip of the iceberg" and that the firm has "looked at a lot of investments in vertical farming and in greenhouses, which support local agricultural systems and resilience." Capital was deployed from InstarAGF Essential Infrastructure Fund II, which closed on $1.2 billion in 2020. Agricultural infrastructure is one of four core themes for the strategy, along with mobility, connectivity and new energy transition.

TIMBERLAND FUND MANAGER OF THE YEAR

WINNER
BTG Pactual Timberland Investment Group
RUNNER UP
Astarte Capital Partners

BTG Pactual Timberland Investment Group adds to its Global Fund Manager of the year prize by also claiming the Global Timberland Fund Manager of the Year award, as the firm flexed its muscles in an asset class in which it has a longstanding pedigree. In February, the $5.6 billion TIMO collaborated with Canadian pension BCI for the creation of Caddo Sustainable Timberlands to expand exposure in the US Southeast from an initial portfolio of 889,000 acres stretching across East Texas and West Louisiana. The firm also made its first acquisition under its Latin American reforestation strategy, with a 24,000-hectare asset of degraded land in Brazil.

AGRIBUSINESS FUND MANAGER OF THE YEAR

WINNER
Roc Partners
RUNNER UP
Equilibrium

Sydney-headquartered Roc Partners takes the award for Agribusiness Fund Manager of the Year, another new category for 2022, building on its success in 2021 when it was named overall Fund Manager of the Year in both the Global and Asia-Pacific sections. The private equity firm reached a major milestone last year, surpassing A$2 billion ($1.3 billion; €1.2 billion) in agricultural assets under management. It also executed on three investments during the awards period, covering assets in food production, farm inputs and carbon markets, as well as reaching a final close on its first agriculture-focused commingled PE fund.

KEYNOTE INTERVIEW

Accelerating positive change

Incorporating ESG into investment decisions creates value while accelerating change, says PSP Investments' Marc Drouin

Since PSP Investments first took an interest in a collection of forests in Canada in 2012, the Canadian pension system has built an impressive global network of agricultural and timber assets.

Marc Drouin, senior managing director, real assets and global head of natural resources investments at PSP Investments, shared some insights into the pension manager's long-term investment horizon, its model of partnering with local operators in natural resources and why ESG should be a critical component of any responsible fund's investment strategy.

Q Could you tell us about PSP Investments' natural resources business model?

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Firstly, as a pension investment manager, we naturally take a long-term approach to investing.

Unlike some other investors in the natural resources space, we are not focused on quarterly or even annual return objectives. Our investment horizons are decades long. This is particularly critical in agriculture and timberland, as you need to be able to look past volatility caused by near-term market or weather cycles.

You need to make investment decisions knowing that you'll have to deal with periods of drought, floods, and everything in between during the lifetime of the investment.

This is one of the many reasons why sustainability plays such a significant role in our investment approach. Acting as responsible stewards of the land and environment and contributing positively to the communities they're in also drives our social license to operate.

Secondly, while the team has certainly built considerable expertise in agriculture and timber over the years, we are investors, not operators. We rely on our highly skilled and experienced partners and management teams on the ground, which is why we almost always enter new markets alongside top-tier local operating partners who share our values, our investment horizon and

Q How important is the Asia-Pacific region to investment?

PSP Investments' Asia-Pacific exposure is focused on investments in Australia and New Zealand. Our first natural resources foray outside of Canada was an investment in forestry assets in New Zealand in 2012, and the investment remains among our single largest. In 2014, we made our first investment in Australian agriculture and, since then, we have continued to grow our agriculture footprint in the country through new acquisitions and the expansion of existing platforms. Australia and New Zealand currently represent about half of our natural resources' assets under management.

These two countries are important for several reasons.

Firstly, they benefit from: i) being easy places to do business; ii) farms with exceptional scale; iii) robust and vibrant farming communities; iv) advantageous logistics to growing Southeast Asian markets; and v) multiple climates enabling the production of a large variety of crops with varying seasonalities.

Secondly, since Australia is known for its sophistication in agriculture, particularly in relation to its stewardship of the land and sustainable farming practices (no till, controlled traffic, water use efficiency, development of drought-resistant livestock etc), there are opportunities to share best practices with our other partners around the world.

Thirdly, we see significant opportunities to move beyond the farm gate further up the value chain, bringing our global expertise to support the development of new markets and products. That is why, for instance, we increased our investment in Perfection Fresh Australia's food business in the past year and supported the company's push into Southeast Asian markets.

our commitment to employee health and safety and community well-being. Often, we find ourselves working with farming families who have cared for their land for generations and who share our vision of being responsible stewards of the natural resources we own and operate.

We are also very clear on what we can bring to these partnerships – capital, scale, stability, global reach, as well as financial and governance acumen. Our multiple platforms help accelerate the identification and adoption of best practices, including in sustainability.

Q What are the most important factors when choosing a partner?

The first consideration is identifying investment-friendly jurisdictions that provide opportunities for scale; we currently are focused on and have investments in Australia, Canada, Europe, New Zealand, South America and the US. Then we analyze the macro-sectoral trends, such as long-term supply and demand fundamentals, including impact of climate change, to identify target crops within a particular geography.

As mentioned, it is important for us to partner with best-in-class, like-minded, local operators. We want local operating partners who care about the land and water they manage, and the communities they operate in, and who have a shared commitment to ESG, including employee health and safety and sustainable farming.

Consistent with our investment horizon, we are committed for the long term when we invest somewhere. By investing across decades, we can create and nurture personal, strong and trust-based relationships with our partners, as is the case for instance with the Hewitts in livestock, the Moraccis in greenhouse-grown vegetables, the Robinsons in cotton, and the Simonettas in fresh produce. We believe this ability makes PSP Investments a particularly attractive partner, especially when there is competition for capital.

Q What is your strategy when working with partners?

Unlike the timber sector, where institutional participation is well established, the agricultural sector remains highly fragmented and dominated by small operators. PSP Investments plays a role in helping to bring scale, resources and expertise to the agricultural sector to achieve sustainability while improving yields and returns for both our fund and our partners.

By bringing together multiple small farms or operations into larger aggregations and entities, you can reduce costs through more efficient purchasing, you can make better use of equipment and personnel, and you have greater clout with suppliers and customers. Importantly, you can share expertise and experiences, identifying and deploying the best and most innovative farming practices.

Also, by investing in the same crops across different geographies to the same sustainability and quality standards, you have the ability to offer security and consistency of supply 52 weeks a year, and therefore to be more strategic to key customers who value security and consistency of supply, as well as the dedication to sustainability. For many of our partners, achieving that type of scale would have been difficult without our help.

Q What role does ESG play in your strategy?

For PSP Investments – and indeed for all investors in natural resources – ESG must be a critical factor in investment decisions. As our president and CEO Deborah Orida puts it succinctly: "Given our long-term horizon, sustainability factors are inextricably linked to our ability to achieve our investment objectives." In the natural resources sector, as a long-term investor in agriculture and timber, we are highly committed to the continuous improvement of our sustainable farming practices around the world.

ESG is embedded in our model. It informs how we select the geographies in which we invest, the types of partners we work with, and the relationships we seek to develop with local communities. Our ESG priorities encompass health and safety, climate change and emission reduction commitments,

"ESG is embedded in our model. It informs how we select the geographies in which we invest and the partners we work with"

community investments, and a commitment to sustainable farming based on sound reporting and active ownership of the businesses in which we invest. For natural resources, that means working with our partners and operating platforms to consider their environmental and social impacts.

An example of this approach is our Mahi Pono farming operation on Maui where we're redeveloping an old sugar cane plantation into a diversified agricultural hub. A core tenet of the investment strategy has been to maintain and enhance our social license to operate through responsible, long-term stewardship of these assets. This encompasses health and safety, community engagement, economic development and opportunities, sustainable farming practices and water management.

Q How do net-zero goals impact this further?

Last year, PSP Investments launched a climate strategy centered around using our capital and influence to facilitate the transition to net zero. At the portfolio level, our natural resources team is involved in two significant endeavors that will help us meet our goals.

Last year, we announced a partnership with WSP, an engineering and climate consultancy group, to conduct a detailed climate review of our global natural resources portfolio. The analysis, which is being conducted alongside our local operating partners, covers more than three million hectares of farmland and timberland on more than 400 individual properties across six countries. In parallel, we have also been involved in spearheading initiatives at the asset level, including some significant carbon sequestration projects, primarily within our forestry investments.

The first objective of this analysis is to establish a portfolio-wide baseline of our natural resources' greenhouse gas emissions (Scope 1 and 2) using farm-level data. This information will support the development and implementation of a decarbonization roadmap to reduce greenhouse gas emissions and establish science-based transition plans for operating platforms. The second objective will be to determine the sequestration capabilities of our properties' different carbon pools, such as biomass carbon and soil organic carbon.

The WSP analysis will integrate into PSP Investments' participation in Leading Harvest's sustainability standard, which standardizes sustainability verification and reporting across the industry, resolving inefficiencies faced by farmers, producers and customers in providing sustainability assurances that the market demands. The standard addresses 13 sustainability principles and helps set farm-by-farm targets for continuous improvement and progress tracking. Furthermore, given the nature of the assets in which we invest, we recognize the critical importance of the communities in which they are embedded. Through concrete actions, we are striving to be an active contributor to the development and well-being of these communities.

At its heart, sustainable farming practices – from better management of the land and water to careful care of the communities around – help create shared value by enhancing returns while accelerating positive change at the same time. That's the power of integrating ESG in our investment decisions. ■

The Americas award winners

BTG Pactual Timberland Investment Group added to its two wins in the global awards section by landing a further two prizes in the Americas section

INSTITUTIONAL INVESTOR OF THE YEAR

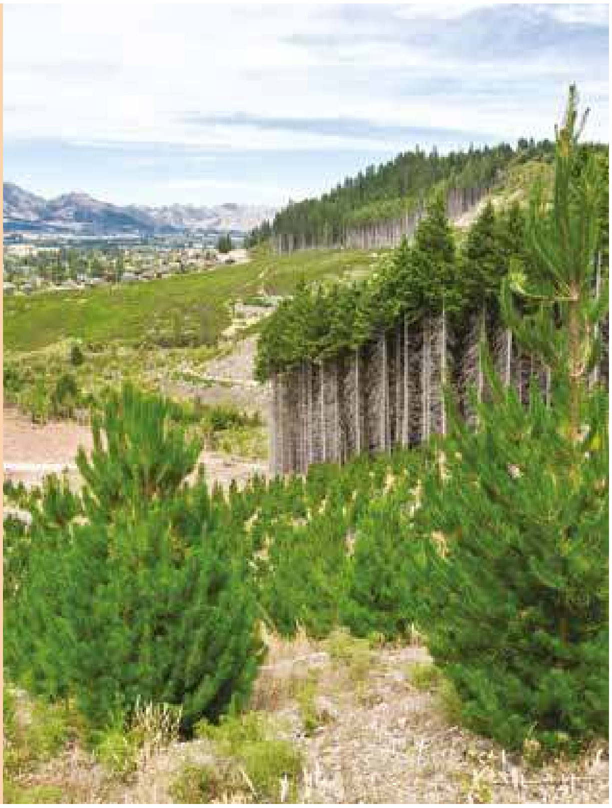
WINNER
Washington State Investment Board
RUNNER UP
Ohio Police and Fire Pension Fund

In 2022, the Washington State Investment Board expanded its already sizable agricultural portfolio through a series of investments with farmland and agribusiness-focused managers. The $155 billion pension provided a A$350 million ($234 million; €218 million) commitment to a Laguna Bay strategy with plans for upstream and midstream investments into Australia's row and permanent crop, livestock and aquaculture markets. Further downstream, WSIB also committed €175 million to a €7 billion vehicle managed by PAI Partners targeting European food and consumer investments and a further $250 million to Washington-headquartered agribusiness specialists Arable Capital, in which it is the only investor.

FUND MANAGER OF THE YEAR

WINNER
BTG Pactual Timberland Investment Group
RUNNER UP
Manulife Investment Management

Adding to its wins for Global Fund Manager of the Year and Global Timberland Fund Manager of the year, BTG Pactual Timberland Investment Group also scooped the Fund Manager of the Year award for the Americas. The firm received widespread recognition for creation of the Caddo Sustainable Timberlands entity to expand exposure in the US Southeast from an initial portfolio of 889,000 acres stretching across East Texas and West Louisiana. The firm also made its first acquisition under its Latin American reforestation strategy with a 24,000-hectare asset of degraded land in Brazil. The firm's LatAm strategy seeks to raise $1 billion to acquire degraded land that it will reforest.



EQUITY FUNDRAISING OF THE YEAR

WINNER
Butterfly Equity
RUNNER UP
Area One Farms

Los Angeles-headquartered Butterfly Equity surpassed its second fund's initial target of $750 million to close on $1 billion in August 2022. The firm was founded in 2016 with a strategy focused on agribusiness and aquaculture, food distribution, food service, and food and beverage brands. Targeted subsectors include specialty inputs, high-value crops, functional products, healthy snacks and protein-rich foods, along with natural and organic retailers, healthy fast food and franchised restaurant concepts. Co-founder Adam Waglay told *Agri Investor* that Butterfly's specialization on the entire food value chain has made it an attractive partner for food businesses, as well as the US and Canadian pension plans, sovereign wealth funds, insurance companies and funds of funds that provide the majority of its capital.

DEAL OF THE YEAR

WINNER
Caddo Sustainable Timberlands (BTG Pactual Timberland Investment Group, British Columbia Investment Management Corporation)
RUNNER UP
47,000-acre Washington and Oregon timber assets (Nuveen Natural Capital)

February saw the $5.6 billion TIMO BTG Pactual Timberland Investment Group collaborate with Canadian pension BCI for the creation of Caddo Sustainable Timberlands, a joint venture with plans to expand exposure in the US Southeast from an initial portfolio of 889,000 acres stretching across East Texas and West Louisiana. CST wasted no time in its stated mission to become a leading player in regional timber markets, supplementing the initial portfolio with a July acquisition of another 119,000 acres in East Texas and West Louisiana it described as well-positioned to benefit from conservation opportunities and expanding real estate and timber markets.

FARMLAND DEAL OF THE YEAR

WINNER
Moxee Valley Orchards (Conservation Resources)
RUNNER UP
Sacramento County properties (Nuveen Natural Capital)

Voters were so impressed by Conservation Resources' August deal to acquire Moxee Valley Orchards – a 700-acre organic apple property in Washington State – that it was able to land the firm the Global Farmland Deal of the Year award as well as the Americas Farmland Deal of the Year award. The acquisition forms an important step in the firm's effort to expand into sustainable ag from the timber markets that have been its focus since its founding in 2004. In addition to plans for new acreage in organic apples and row crops, the multifaceted deal includes a climate-controlled storage facility and collaboration with Portland, Oregon-headquartered conservation non-profit the Xerces Society that aims to create 86 acres of native pollinator habitat benefiting the farm and surrounding producers.

TIMBERLAND DEAL OF THE YEAR

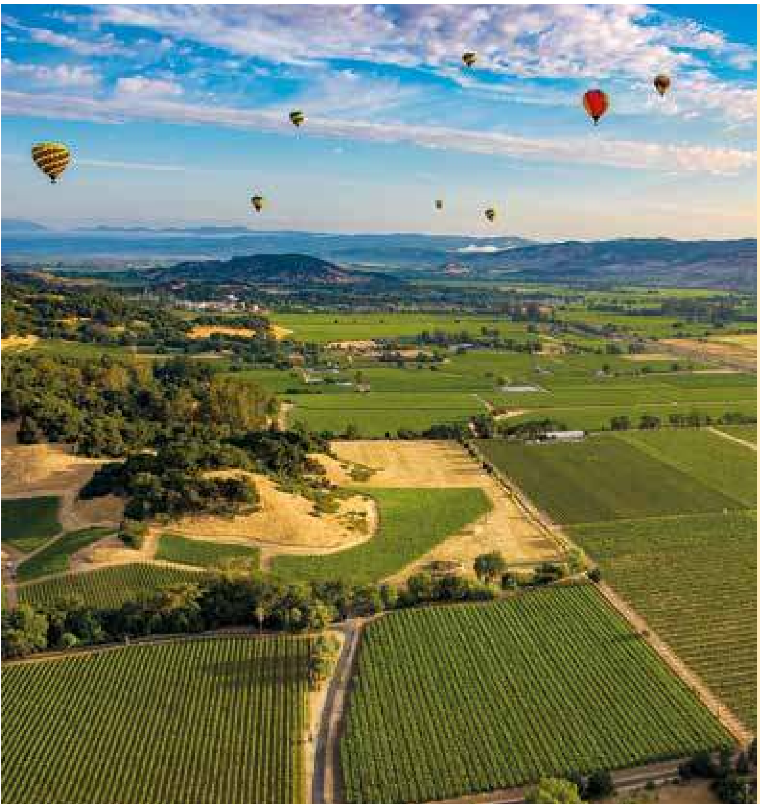
WINNER
Bluesource Sustainable Forests Company portfolio (Oak Hill Advisors, TPG Rise, The Forestland Group)
RUNNER UP
47,000-acre Washington and Oregon timber assets (Nuveen Natural Capital)

Bluesource Sustainable Forests Company's blockbuster deal at the end of 2022 landed it the Global and Americas Timberland Deal of the Year awards. BSFC is a joint venture between New York-based investment firm Oak Hill Advisors and Anew Climate, a carbon project developer backed by TPG Rise. BSFC's November acquisition of a 1.7 million-acre portfolio managed by The Forestland Group for $1.8 billion ranks among the largest conservation-focused investments ever in US forestry. BSFC also agreed to acquire other TFG-managed entities holding an additional 200,000 timberland acres. BSFC's portfolio will exceed 1.9 million acres on completion.

TIMBERLAND FUND MANAGER OF THE YEAR

WINNER
TPG Rise
RUNNER UP
BTG Pactual Timberland Investment Group

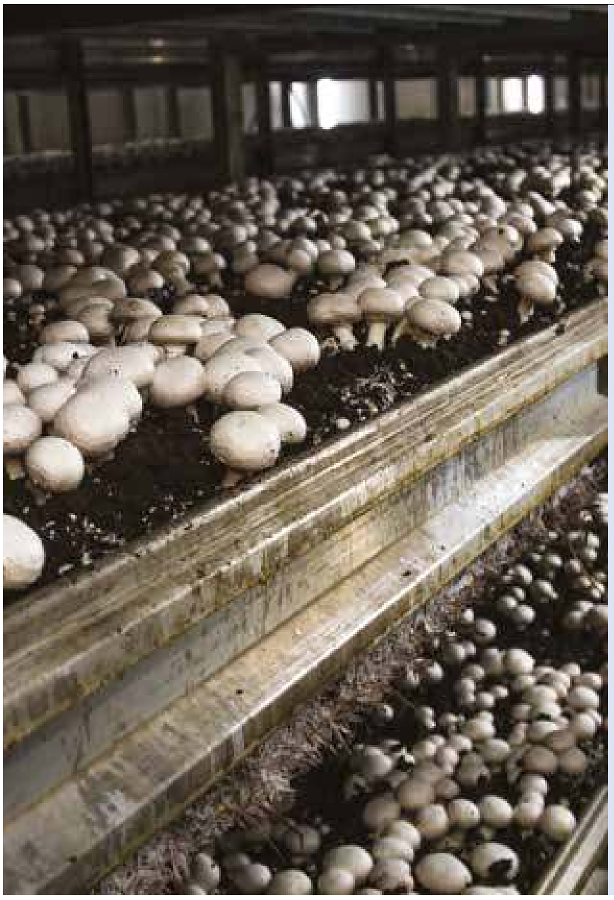
TPG Rise took home the Americas Timberland Fund Manager of the Year award for its significant and decisive moves to bring numerous companies together, which subsequently closed some of the biggest deals in US timberland history. TPG Rise started 2022 by creating Anew Climate – a merger between carbon project developer Bluesource and renewable natural gas company Element Markets. Anew Climate subsequently joined Oak Hill Advisors to launch Bluesource Sustainable Forests Company, a joint venture that acquired a $1.8 billion portfolio of forest carbon assets from The Forestland Group.



FARMLAND FUND MANAGER OF THE YEAR

WINNER
Nuveen Natural Capital
RUNNER UP
Macfarlan Capital Partners

Nuveen's Martin Davies told *Agri Investor* in 2021 that the frequency of extreme weather events and a rising consciousness of environmental challenges were factors in the firm's embrace of a "natural capital" stewardship framework he felt investors had a moral obligation to participate in. Last year, Nuveen formalized this shift by combining farmland and timber under a new natural capital umbrella. The group proved its ability to continue building scale under this new framework through a complicated acquisition of 5,500 farmland acres across 30 titles in California. The deal shows the key role played by such roll-up transactions in helping managers build scale in markets where selling activity can be sporadic.



AGRIBUSINESS DEAL OF THE YEAR

WINNER
Windmill Farms (Instar Asset Management)
RUNNER UP
New Columbia Fruit Packers (Goldman Sachs Asset Managers)

Instar Asset Management's Windmill Farms deal (formerly Greenwood Mushroom Development) was good enough to see the firm scoop two awards, as it took home the Global Agribusiness Deal of the Year award, as well as the Americas Agribusiness Deal of the Year award for the acquisition. The firm partnered with the management team of the controlled environment agriculture mushroom producer to acquire a majority stake in the business from Novacap. Instar managing partner Morty White told *Agri Investor* the deal was "just the tip of the iceberg" for the firm and it has "looked at a lot of investments in vertical farming and in greenhouses, which support local agricultural systems and resilience."

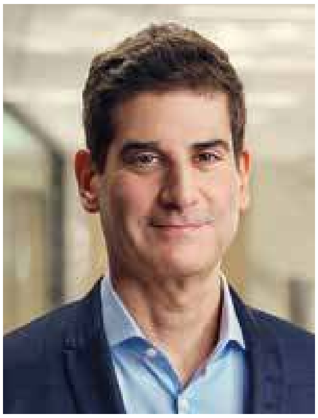
AGRIBUSINESS FUND MANAGER OF THE YEAR

WINNER
Shore Capital Partners
RUNNER UP
Trailhead Capital

University endowments, funds of funds, family offices and other financial institutions were all among the LPs that contributed to the $290 million close in June for Food and Beverage Fund II raised by Chicago-based Shore Capital Partners. Partner Richard Boos told *Agri Investor* the low double-digit IRRs achieved by the vehicle's $150 million predecessor closed in 2019 played an important role in attracting capital to a strategy that includes a focus on companies with between $5 million and $100 million in revenue. Among investments from the vehicle is a partnership with Chino, California-based custom flavor developer OC Flavors, which acquired a Canadian competitor in early 2023.

KEYNOTE INTERVIEW

Why high-tech matters in agri investment




Innovation is crucial for sustainable agricultural production and investment, say Morty White and Steve Simpson from Instar Asset Management

Q Instar invests across a range of sectors. How does agricultural infrastructure fit into your overall investment strategy?

Morty White: We define agricultural infrastructure as essential businesses that are critical to economic growth and development, community resilience and sustainable food production. This sector fits into our broader interest in the environmental space, including businesses addressing food safety and security, logistics and storage of agricultural commodities, waste recycling and disposal, and technology-based environmental services. As concerns around climate change and food security and supply intensify, we're seeing an increase in opportunities in this space.

SPONSOR
INSTAR ASSET MANAGEMENT

We seek businesses promoting sustainable use of arable land and building materials, and responsibly deriving their products from natural resources. Significant investment is needed to support and grow companies, products and services that benefit our food supply chain and reduce food insecurity in Canada, the United States and around the world. There are good returns to be made by prioritizing sustainability.

Q What makes agricultural infrastructure an attractive asset class of the future?

MW: With rapid population growth and climate change impacting our food security and supply, the agricultural sector will require significant investment over the coming decades by governments, private companies and other players in the sector to build resilience.

Steve Simpson: Food insecurity is a devastating problem globally, and the war in Ukraine has highlighted the importance of this issue. According to the World Economic Forum, we would have to clear most of the world's forests to feed 10 billion people by 2050

> *"As concerns around climate change and food security and supply intensify, we're seeing an increase in opportunities in this space"*
>
> **MORTY WHITE**

Q What does Instar look for when exploring new agricultural investment opportunities?

SS: We invest in niche, middle market businesses in North America. We look for businesses that are dominant in their industries and deliver an essential service that is critical for customers and communities. We seek businesses with an enterprise value ranging from $50 million to $500 million with sustainable downside protection and the ability to scale up and grow in value and size. As leaders in what they do, our portfolio companies benefit from significant barriers to entry and feature strong margins and pricing power throughout the economic cycle. We partner with management teams that have ambitious five-year business plans and need capital or specific expertise to help them get there.

Within the agricultural space, we are focused on a specific segment of the value chain: businesses with a physical asset underpinning and stable cashflow that support the cultivation of food, the movement of agricultural commodities to market, the management of water and other natural resources, and the management of waste.

at the current level of food production efficiency.

The global agricultural industry has experienced significant under-investment over the past few decades, with a decrease in public spending on agriculture globally since 2000, according to the United Nations' Food and Agriculture Organization. Trillions of dollars are needed annually in investments to bring about the necessary changes to reduce poverty and hunger and improve sustainability.

We need to be thinking about how we can innovate and modernize agricultural systems to mitigate scarcity and better manage resources. With growing populations, increasing urbanization and intensifying climate change, agricultural infrastructure offers investors the potential for attractive returns and the opportunity to make a positive impact.

Q What is the role of technology in addressing some of these challenges?

MW: People don't typically associate agriculture with high-tech, but technology is increasingly driving meaningful change in the sector. Windmill Farms is a perfect example of how state-of-the-art technology can be harnessed to revolutionize the way food is produced and processed. Its facilities are some of the most technologically advanced in North America, delivering twice the yield and twice the profit margin than the average mushroom producer elsewhere in the continent.

Controlled-environment agriculture blends specialized science with the latest technology to optimize growing and deliver a consistent level of quality and quantity of product.

Technology is changing the agricultural landscape. Drones and radar technologies allow farmers to monitor crop and livestock conditions. Sophisticated irrigation systems help regulate water supply to produce more for less. Artificial intelligence technology and advanced data systems can be used for early detection of disease and poor nutrition of farms. This is the future of agriculture.

Q We talked briefly about Windmill Farms. What sets the company apart in North America and what are your future plans for the business?

SS: We've been in the Windmill Farms investment for about nine months now and we're just as excited about the company and where we're going to take it as we were at the very beginning.

As a premier controlled-environment agricultural producer of mushrooms, there are a couple of things that set Windmill Farms apart. As we mentioned, its innovative use of modern, Dutch-style technology across its facilities produce consistent yields of premium-quality, organic mushrooms to customers year-round. Over the last decade, Windmill Farms has brought a lot of innovation to the agriculture industry. We're using fewer resources per pound of mushrooms that we grow to support sustainable food supply year-round, transforming how mushrooms are grown in North America.

Windmill Farms' facilities are vertically integrated, combining production, processing, packing and distribution capabilities. With the only fully enclosed composting facility in North America, the company produces its own substrate compost using waste products for growing mediums and production in its closed-loop system. Windmill Farms' integrated operations allow it to generate industry-leading production yields, control the value chain and ensure margin capture.

I suppose one thing people might ask is: why mushrooms? Overall, the mushroom industry presents steady and consistent historical pricing, as well as demand growth through economic cycles. Right now, there are also some interesting tailwinds to the market around the potential health benefits of mushrooms.

> *"We need to be thinking about how we can innovate and modernize agricultural systems to mitigate scarcity and better manage resources"*
>
> **STEVE SIMPSON**

Our vision of Windmill Farms is to grow the company from a regional market leader into one of the largest mushroom growing platforms in North America while improving its market-leading profitability and production yields.

We took our first step towards this goal recently when Windmill Farms purchased a farm in Sunnyside, Washington. This is a fully integrated facility using the same Dutch-style technology as Windmill Farms. Besides creating a coast-to-coast presence, this latest acquisition also increases annual production capacity by between 40 to 50 percent. This is an exciting opportunity for us and we're thrilled to be working with the local community to enhance the Sunnyside facility.

Q You're clearly very fond of the Windmill Farms investment. Is this one of a kind or have you made similar investments?

SS: About two years ago, we purchased PRT Growing Services, North America's largest producer of forest seedlings. Though this controlled-environment agriculture business doesn't sit within the food value chain, it exhibits many of the same characteristics as Windmill Farms.

PRT provides seedlings to government, local municipalities and the forestry industry for either replanting trees that have been harvested or for broader reforestation initiatives. Similar to Windmill Farms, the company's operations are fully vertically integrated, from sowing the seeds through to growing the seedlings and selling the products to customers.

Again, these are characteristics that we seek in our investments: industry-leading businesses with significant barriers to entry and the ability to set prices for customers. Windmill Farms and PRT prioritize people and innovation, employing modern technologies that support sustainable agricultural production to benefit our communities and the environment for decades to come. These are the kinds of investments that will help drive growth and profit in the future. ■

Morty White is managing partner and Steve Simpson is partner at Instar Asset Management

The Europe award winners

AXA won the European Institutional Investor of the Year award as AXA IM Alts also landed a top prize and a runner-up berth

FUND MANAGER OF THE YEAR

WINNER
AXA IM Alts
RUNNER UP
CVC Capital Partners

AXA IM Alts built on its three wins in the 2021 *Agri Investor* Global Awards courtesy of its La Forêt de la Reine and Green Triangle Forest Products timberland deals to land the Fund Manager of the Year Europe award for 2022. The firm started the year by becoming a founding shareholder of French start-up The Shared Wood Company, which will develop carbon offset projects in Africa, Latin America and Europe. Bigger things were to come later in the year as AXA IM Alts launched a new natural capital strategy in September, which raised €500 million from existing investors. The pool of capital will target investments that can address climate change and biodiversity loss by trying to protect "vulnerable or high-value natural habitats" from deforestation, a statement said.

INSTITUTIONAL INVESTOR OF THE YEAR

WINNER
AXA
RUNNER UP
Essex Pension Fund

AXA was able to take home the European Institutional Investor of the Year award for largely the same reasons it won this year's Global Impact Investor of the Year award. Alongside Tikehau Capital and Unilever, AXA launched a €1 billion impact fund that will focus on regenerative farming, contributing €100 million as part of a total €300 million seed commitment from the three partners. The fund will seek to enable a wider transition to regenerative farming.

AGRIBUSINESS DEAL OF THE YEAR

WINNER
Ekaterra (CVC Capital Partners)
RUNNER UP
Saratoga Food Specialties (Astorg)

CVC Capital Partners completed the €4.5 billion acquisition of Unilever's global tea business Ekaterra in July 2022. One of the largest tea businesses in the world, Ekaterra has a portfolio of 34 brands including Lipton, PG Tips, Pukka, T2 and TAZO. The business generated revenues of around €2 billion in 2020. CVC Capital Partners managing partner Pev Hooper said in a statement: "Ekaterra is a great business, built on strong foundations of leading brands and a purpose-driven approach to its products, people and communities. Ekaterra is well positioned in an attractive market to accelerate its future growth, and to lead the category's sustainable development."

EQUITY FUNDRAISING OF THE YEAR

WINNER
Anterra Capital
RUNNER UP
AXA IM Alts

Dutch firm Anterra Capital closed its second food and agriculture technology fund on $260 million in May, as it eclipsed its original $230 million hard-cap. The firm launched Anterra FA Ventures II in February 2021, and by May it had hit its $175 million target for the vehicle and was oversubscribed following the extension of the hard-cap. The fund will invest in seed and series stage agtech start-ups, developing innovative on-farm solutions, as well as targeting more speculative innovations that could transform food and agriculture. Managing partner Adam Anders told *Agri Investor* that LPs have directly invested a further $150 million into the firm's portfolio companies, all of which is separate to the capital held by the vehicle.

DEAL OF THE YEAR

WINNER
International Woodland Company (BNP Paribas Asset Management)
RUNNER UP
Treehouse Foods Meal Preparation (Investindustrial)

BNP Paribas Asset Management acquired a majority stake in Danish timberland and farmland investment firm International Woodland Company in December, in a deal where financial details were undisclosed. IWC was founded more than 30 years ago and has $5.7 billion in assets under management, $4.8 billion of which is dedicated to institutional timberland mandates. The acquisition is part of BNPP AM's efforts to expand its private markets and sustainable investment offering to meet "the needs of investors who are increasing allocations to sustainable private investment strategies," a statement said. IWC expanded into agriculture in 2017 and also provides ecosystems services including carbon credits and conservation projects.

The Asia-Pacific award winners

Warakirri Asset Management was 2021's runner-up for the Asia-Pacific Fund Manager of the Year award but takes home the top prize for 2022

FUND MANAGER OF THE YEAR

WINNER
Warakirri Asset Management
RUNNER UP
Roc Partners

Warakirri Asset Management wins the award for Fund Manager of the Year in the Asia-Pacific region for the first time, recognition for a year of strong deployment, well-executed dealmaking and excellent on-farm performance. The firm deployed more than A$600 million ($398 million; €375 million) up to end of November 2022 when awards entries closed, signing deals to acquire 36 properties across 17 separate transactions, covering more than 65,000 hectares across Australia. In total, Warakirri has more than A$3 billion in funds under management or committed, with a diverse portfolio of assets across a range of commodities in six Australian states – and 2022 saw the firm's funds achieve one of its best-returning years to vindicate its strategy with investors.

INSTITUTIONAL INVESTOR OF THE YEAR

WINNER
Clean Energy Finance Corporation
RUNNER UP
PSP Investments

Fighting off competition from PSP Investments, the Clean Energy Finance Corporation retained its crown as the Asia-Pacific Institutional Investor of the Year. The Australian government-backed organization continued to build on its longstanding focus on agriculture-related emissions by expanding investments in natural capital. This ranged from providing discounted finance for energy-efficiency improvements in agricultural production to making large-scale equity investments in specialist agriculture funds. It also became the first industry supporter of the Australian Carbon Industry Code of Conduct, aiming to promote further investment in carbon reduction.

DEAL OF THE YEAR

WINNER
Perfection Fresh (Equilibrium, PSP Investments, Temasek)
RUNNER UP
Angel Seafood (Laguna Bay)

In March 2022, a consortium led by US-based fund manager Equilibrium and backed by PSP Investments and Temasek, acquired a majority stake in Perfection Fresh, one of Australia's largest privately owned produce companies and one of the country's biggest players in controlled-environment agriculture. The firm owns glasshouses, table grape vineyards, citrus orchards and berry farms across Australia, and the deal was a statement of intent by Equilibrium as it entered the Asia-Pacific market for the first time. With heavyweight backing in place, Perfection Fresh is now poised to target growth in both Australia and the wider region.

EQUITY FUNDRAISING OF THE YEAR

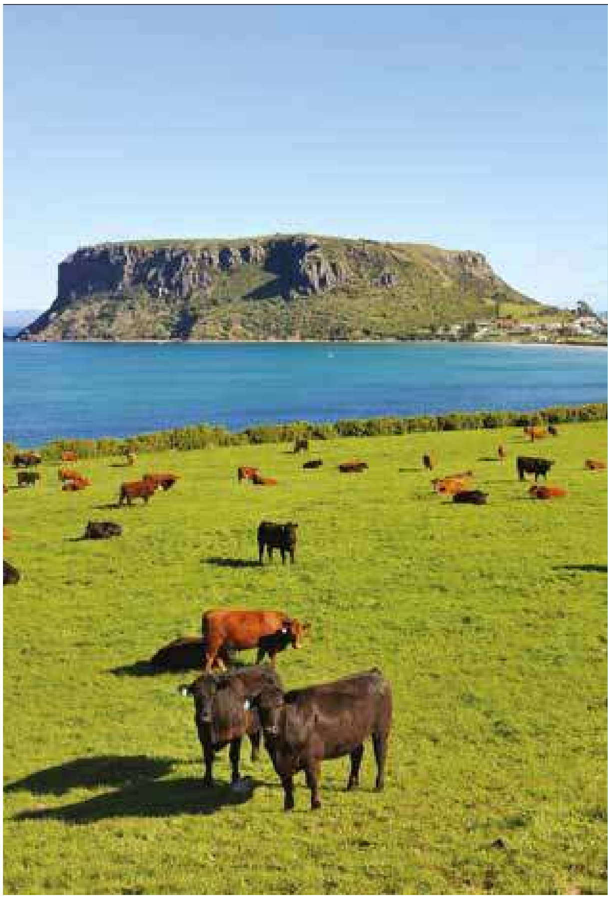
WINNER
Proterra Asia
RUNNER UP
Roc Partners

Proterra Asia, the Asian subsidiary of global fund manager Proterra Investment Partners, wins its first Agri Investor Award for Equity Fundraising of the Year, Asia-Pacific. The firm held a final close of more than $200 million for the third in its Food Fund series – the firm's first Singapore-registered fund and one that will invest through a Singapore VCC fund structure for the first time. The fund's strategy is broadly similar to its two predecessor vehicles: finding businesses that capitalize on the accelerating consumer demand from growing urban populations and a new generation of consumers in Asia that is looking for safe, high-quality food products.

FARMLAND DEAL OF THE YEAR

WINNER
Casella Family vineyards (PSP Investments)
RUNNER UP
Yarrabee Park (PSP Investments, Warakirri Asset Management, goFARM Australia)

In winning our award for Global Institutional Investor of the Year for the past two years, PSP Investments has gained recognition for its dealmaking ability in agriculture and natural resources around the world. Its deal to acquire the Casella family's portfolio of vineyards in South Australia and New South Wales demonstrates what PSP does best – leveraging its expertise to create a portfolio of scale. PSP's Southern Premium Vineyards, its Australian vineyards platform, executed this deal, which saw the firm acquire more than 7,500 hectares of vineyards to take the SPV portfolio to more than 10,000 hectares, making it a considerable player in the Australian market.



FARMLAND FUND MANAGER OF THE YEAR

WINNER
Proterra Investment Partners
RUNNER UP
Warakirri Asset Management

The sale of Vaucluse in the Australian state of Tasmania helped cement Proterra Investment Partners' position as Asia-Pacific Farmland Fund Manager of the Year. This exit, led by managing director Becs Willson, generated another strong return for investors following the sale of the huge Corinella portfolio at the end of 2021. But it's also the ongoing strong performance of the firm's on-farm asset management that has secured it recognition, with a strong growing season on both Vaucluse and its remaining Australian assets continuing to ensure that investors are receiving a solid return.

AGRIBUSINESS DEAL OF THE YEAR

WINNER
Chromy Estate
(Warakirri Asset Management)
RUNNER UP
Angel Seafood (Laguna Bay)

Warakirri's deal to acquire Chromy Estate in the Australian state of Tasmania takes a second award, adding the regional Asia-Pacific Deal of the Year to its Global award. This transaction saw Warakirri add high-quality vineyard and winery assets to its growing diversified portfolio, with the asset initiating a complex three-way transaction between itself, the vendor and hospitality business Endeavour Group. Warakirri took ownership of the physical assets and agreed a long-term lease on them with Endeavour – while the latter also purchased the Josef Chromy Wines brand for its own fine wine portfolio.

EXPERT COMMENTARY

Driving sustainability across the value chain

Evolving consumer demand is prompting food companies to seek sustainable solutions to their supply chain needs, says Mike LeSage, managing director at Proterra Investment Partners

Proterra's investment strategies are influenced by the senior leadership team's longstanding tenure with Cargill, a global leader in providing food, agriculture, financial and industrial products. Our current sustainable fund was formed based on our understanding of the need to transform supply chains to align with food companies' evolving ESG commitments.

The fund is focused on some of the secular trends transforming the food and agribusiness industry. We see three powerful currents are running in parallel, driving the need for significant capital investments. First is escalating consumer demand for sustainably grown, organic and 'better for you' products. Second, combined with consumer demand, there is a constantly evolving corporate food companies mandate to offer better, healthier and sustainable products. Third, government policies and NGOs are pushing for sustainable products and animal welfare. All of these are driving the need for significant infrastructure investments in agriculture across the full value chain.

We believe a key differentiator for us is our ability to source deals given our longstanding Cargill relationship history with food companies. These deep relationships with food companies and partner producers allow us to successfully pursue and complete investments that are win-win for both parties. For our existing fund, we came to an agreement with food companies on long-term, cost-plus contracts with our partner producer. These mutually beneficial agreements provide the supply businesses are looking for to meet their ESG goals while providing the security and profitability needed to make the investment in these assets.

SPONSOR

PROTERRA INVESTMENT PARTNERS

"Opportunities will grow as new commitments and themes emerge"

An example is our sustainability fund's investments in cage-free egg production. We acquired a layer farm in the Pacific Northwest that mainly had conventional egg production. State laws in Oregon and Washington require all egg production to be produced by cage-free layers by January 2024. To support the capital needed to build these new cage-free facilities, we worked with key food companies to successfully establish long-term, profitable supply contracts. These contracts allow the food companies to make progress toward their customers' desire for cage-free eggs (and their own corporate ESG commitments) and provide a profitable return for converting our businesses to cage-free production.

Overall, we believe the fund has created profitable business models by investing in demand-driven projects that fulfill the key themes that food companies commit to support in their ESG reports. This approach ensures that we stay aligned with their needs and has allowed us to build a robust pipeline of potential deals. We further believe opportunities will grow as new commitments and themes emerge, and as we continue to proactively provide solutions to meet supply chain needs. ■

On the minds of agri investors

Investor appetite grew in 2022 amid global food production shortages, say industry experts

Olly Hughes
Managing director, forestry, Gresham House

Matthew Corbett
Partner, agriculture, Fiera Comox

Ryan Ramsey
Principal, agriculture and forestry resources, StepStone Group

Q What were the biggest trends when it came to agri investing in 2022?

MC: Agri investing has benefited from a flight to safety by investors against the backdrop of the asset class providing a proof of concept by performing well through an inflationary period.

We are also seeing a greater understanding of the importance of quality assets within a farmland portfolio, the integration of effective ESG management into the investment process and focusing on capital developments that improve resource-use efficiency.

OH: Over the course of 2022 we have seen some significant volatility in timber prices but forest values have remained stable due to the long-term nature of the asset class.

The clear trend is an increasing interest across the institutional investor spectrum to invest in forestry for a long-term return aligned with sustainability and the opportunity for carbon sequestration.

RR: As it has become evident the current inflationary cycle is not temporary, the role agriculture can potentially play in hedging this exposure has renewed interest in the sector.

However, it has also raised pertinent questions regarding investment strategy, such as subsectors and business models, which offer varying degrees of inflationary hedging.

The other factor that has come to the forefront is the concept of natural capital and how this is becoming central to many agriculture investment strategies.

While, historically, sector sustainability has been focused on avoiding any negative ESG outcomes, this is elevated under natural capital-based strategies that also seek to drive positive ESG outcomes.

Q What were the challenges last year?

MC: The legacy impacts of covid (increasing labor shortages, challenging supply-chain management, etc) created some operating challenges, particularly in the early part of the year. Higher quality assets performed relatively better in this environment, so maintaining our focus there was important. Additionally, it was important for us to empower and support our partners to manage through the challenges presented.

OH: A key challenge in the forestry sector remains sourcing new investment opportunities that deliver the right combination of financial return and natural capital opportunity. We have continued to source our pipeline through a combination of on and off market with a strong focus on afforestation.

RR: The ongoing disruption to global supply chains arising from covid have continued to present cost and operational challenges, as has drought in the Western US. These are issues largely outside the control of individual investments, and while both appear to be subsiding in early 2023, it highlights some of the inherent risks of the sector.

The other challenge faced by the sector is track record, whether that be the relative short tenure of managers relative to other asset classes or market headwinds over the last 10 years and is often an impediment to obtaining allocation approvals. Fortunately returns have benefited from a more favorable couple of years. However, this can still require a complex diligence process to attribute historical performance and explain the figures (eg, asset, sub-sector, market, geography, currency, etc.).

"Historically the rationale for including agriculture in an investment allocation has centered around portfolio benefits"

RYAN RAMSEY
StepStone Group

"A key challenge in the forestry sector remains sourcing new investment opportunities that deliver the right combination of financial return and natural capital opportunity"

OLLY HUGHES
Gresham House

Q How are investor attitudes toward agri changing?

MC: There is an increasing appreciation for the benefits of the asset class in a modern institutional-grade portfolio and the operating models/geographies/sectors available to investors. The last few years have also highlighted the essential nature of food production in our lives. It is not a short-term trend; the asset class will continue to grow.

OH: There remains a very noticeable positive change in the appetite of investors to invest in high-quality forestry and natural capital. There is significant global interest in sourcing large-scale, high-quality assets.

RR: Historically, the rationale for including agriculture in an investment allocation has centered around portfolio benefits. While we believe the portfolio rationale remains robust, based on our client, and broader market engagement, the characteristics of natural capital and potential alignment between environmental (ecosystem, biodiversity and carbon) and financial outcomes is changing how agriculture (and forestry) is viewed by potential investors, and how it is being incorporated into investment allocations.

Q Looking ahead, which sectors do you see being most popular among agri investors?

MC: High-quality farmland assets that have the ability to offer high-margin, lower-input, lower risk, sustainable production of food. The popular answer here would likely be controlled environment farming, which I believe will find its (increasing) place in the food production system (and asset class), but investors will continue to show an appreciation for high-quality, core farmland that produces high-quality food at a low cost of production.

OH: We remain confident that investors will continue to increase their allocations to natural capital and specifically forestry investments as they are able to deliver a good combination of return and ESG positive characteristics.

RR: One of the attractions of agriculture is the breadth of the sector in terms of geography, subsectors, business model and position within the value chain, resulting in a large matrix of opportunities. We expect annual and permanent crop-based strategies to remain popular given the ability to access large GP coverage, attractive asset level liquidity and most straight forward sustainability profile. However, increasingly, strategies that are aligned with natural capital outcomes, in particular biodiversity, ecosystems and carbon, are going to attract more of the capital coming into the sector.

"There is an increasing appreciation for the benefits of the asset class in a modern institutional-grade portfolio and the operating models/geographies/ sectors available to investors"

MATTHEW CORBETT
Fiera Comox

Q What do you look for when investing in a food or agri fund?

MC: I believe our investors value the diversified offering of our fund which is more nuanced than simply what we grow and where. There is consideration for the diversification of input sources, end market exposure and trade regulation diversification. Additionally, as referenced earlier, the high-quality asset base and quality farming partners are increasingly well understood to be important for success in the asset class.

OH: At Gresham House, as a specialist forestry asset manager we invest directly in assets. We look for forests and planting opportunities that are high quality and have scale. We focus on building portfolios that have high levels of diversification in terms of geography, age and species.

RR: Our approach is fairly consistent from sector to sector; what changes is that our team features dedicated sector specialists who spend all of their time in their field of expertise. Our focus is on developing investment programs that meet the needs of our clients, such as risk/return, yield, liquidity, etc; this is the starting point for all investment selection decisions. In terms of investment specific considerations, we focus on organization, strategy and track record, and critical to this is alignment with the team we are entrusting to invest our clients' capital, and their willingness to embrace a partnership approach with our clients. ■

KEYNOTE INTERVIEW

Driving abatement through natural capital

A focus on natural capital presents an opportunity to reduce agriculture's climate impact, says Heechung Sung of Australia's Clean Energy Finance Corporation

Q Why is the CEFC focusing more on natural capital?

The CEFC has a mandate to drive decarbonization across the Australian economy, including agriculture, as part of the national goal to cut emissions by 43 percent in just seven years. In our first decade we invested $270 million in agri-related transactions. We recognize both the complexity and particular urgency of improving the sustainability and competitiveness of the Australian agriculture sector.

Investments in natural capital have a dual function. Firstly, there is abatement. Agricultural emissions have been increasing on a net basis and we must respond rapidly by managing production and landscapes differently. Secondly, natural capital presents an opportunity to sequester carbon and we are working with policymakers and capital partners on how to value those opportunities, which can supercharge that side of the carbon ledger.

Q What types of natural capital investments do you consider?

We invest across the risk spectrum, from technology solutions to real assets and across multiple subsectors where there is potential for emissions abatement. Our investments in natural capital range from providing discounted finance for smaller-scale energy efficiency and renewable energy improvements in agriculture production, to large-scale investments in specialized funds. And increasingly, we are focusing on soil carbon opportunities, particularly through the Clean Energy Innovation Fund with its specialist focus on cleantech start-ups.

A key element of our investment strategy is to drive decarbonization across large-scale diversified portfolios, using our equity investments to influencing asset management practices. This ranges from encouraging precision agriculture and emissions measurement in broadacre cropping, to tackling methane emissions in livestock production.

We're backing carbon sequestration alongside red meat production with Wyuna Agriculture and we're working with an exciting start-up, Downforce Technologies, as it improves ways to measure soil organic carbon.

SPONSOR
CLEAN ENERGY FINANCE CORPORATION

Q Why do you pursue investments in this way?

Our equity investments give us a seat at the table. We want to influence long-term strategies. Nature-based assets are less liquid, which means investors need to take a longer-term view to achieve the maximum potential in returns and sustainability outcomes. By investing in third-party managers who deploy green strategic initiatives across their portfolios, we can be part of scalable opportunities that generate the most impact in terms of abatement.

Q What are you looking for from investment partners?

The CEFC is not a passive investor. We look for genuine ambition in terms of rapid abatement and sustainable land use practices, alongside strong investment returns. Time is running out to achieve our emissions goals. We have to get meaningful action, across the economy, now. ■

Heechung Sung is head of natural capital at Australia's Clean Energy Finance Corporation

What does 2023 have in store for natural assets?

The influx of investors looking for ways to gain exposure to natural capital assets continued apace in 2022 but the Russia-Ukraine war was the biggest influencer, writes Binyamin Ali

At the end of 2021, we asked the question: Will 2022 be the year natural capital takes flight?

A year later you could certainly have made the case that in some ways, yes, natural capital really did take flight in 2022.

The main reason for this observation can be boiled down to one word – carbon. It seems that no matter who the LP or GP in question is, natural assets, carbon emissions, credits and their contributions to return targets and net-zero commitments are all anyone was able to talk about last year.

The sheer scale of activity from the likes of big hitters such as TPG and AXA, through to timberland veterans such as Stafford Capital Partners and New Forests, or those trying to push the needle on natural capital as an asset class, such as Climate Asset Management or Nuveen Natural Capital, was dizzying.

There were also clear signs this wave of interest influenced ownership models and M&A activity. For signs of the former, see Manulife Investment Management's research that indicates timberland ownership models are changing due to the demand for carbon credits.

"For all that 2023 holds, an end to the Russia-Ukraine war will no doubt be top of everyone's wish list"

And with regard to impacts on M&A activity, 2021's head turning JPMorgan acquisition of timberland management and investing company Campbell Global, was followed up in 2022 by BNP Paribas's acquisition of Danish timberland and farmland investment firm International Woodland Company.

Landmark deal

Following two weeks of negotiations, the COP 15 UN Biodiversity Summit in Montreal delivered a landmark agreement in December 2022 to restore biodiversity, which will add further impetus for investors and governments to back natural capital initiatives.

But natural capital is of course not the only big story from 2022 to have impacted the asset class – not even close.

Russia's invasion of Ukraine in February 2022 not only brought pain, suffering and loss to those directly impacted by the conflict, it also upended food and energy markets, which exacerbated a global inflation surge that can be dated back to the end of 2020.

According to the IMF, "the average global cost of living has risen more in the 18 months since the start of 2021 than it did during the preceding five years combined."

That's a difficult picture for anyone to confront and regardless of ag's defensive characteristics, investors in the sector will not be spared the ongoing pain.

For all that 2023 holds, an end to the Russia-Ukraine war will no doubt be top of everyone's wish list – Ukraine's prosperity and that of the world depends on it. ■